

The Outlook: June 26, 2019

*Micron, the market crowd, and the crowd's advisors.*

Micron announced its quarterly earnings last night. Theresa will soon tell us what those earnings say about how things are going “inside” our company, so we’ll just say they showed a “strong company handling current problems better than the skeptics thought it could.” But Micron’s treatment by the market, today, reminds us of some eternal truths about the nature of the market and the nature of big crowds of people anxious about the daily value of their money.

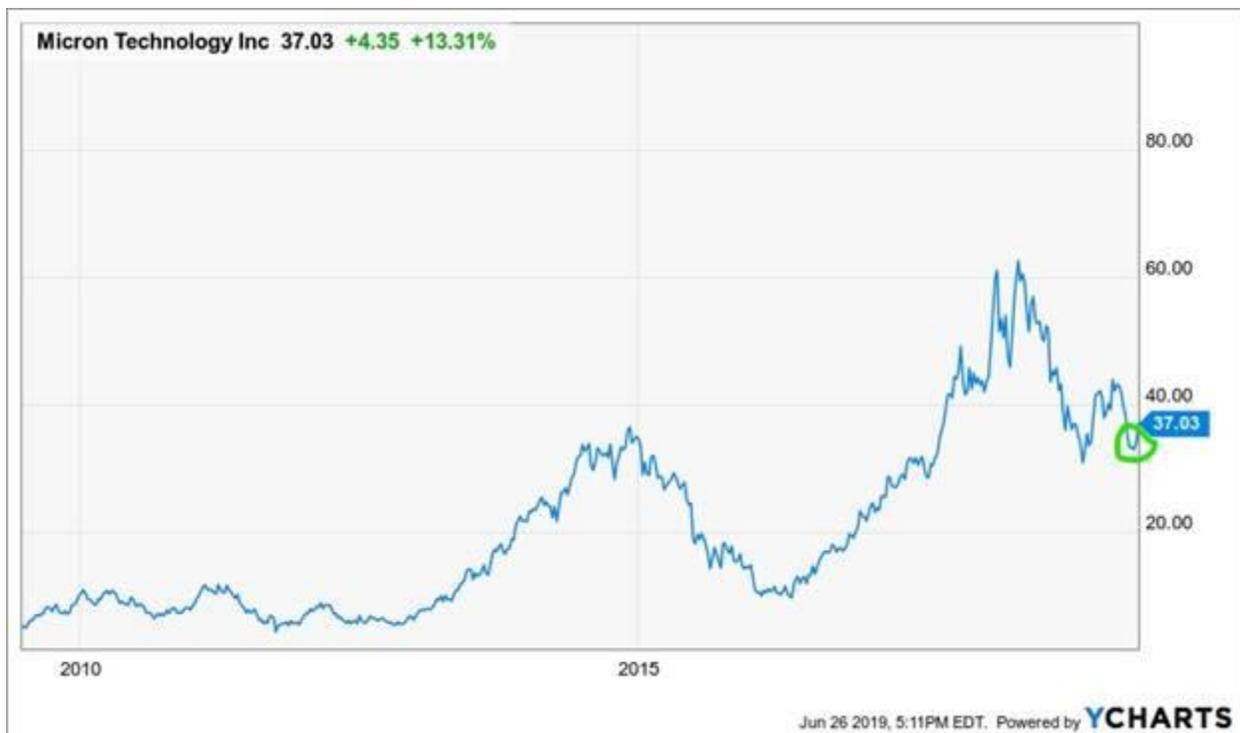
First, today.

**Micron: Up 13% Today**



We won’t sneer at that green rocket, given how often its color and direction have been “Red” and “Down!” lately. But let’s back up for a broader look:

**Micron, 10 Years of Rockets and Cliff-Dives . . . Generally Pointing Up**



Finally, along with our own opinion let's hear what a (very typical) couple of eminent Wall Street firms said about Micron, this morning, after the earnings announcement and after any Needham clients had any chance to ride that green rocket.

1. *Needham upgrades Micron to "Buy" from "Hold" with a \$50 price target, a 53% upside. After yesterday's earnings report, the firm thinks Micron's earnings are bottoming . . . creating an attractive risk/reward balance.*
2. *Piper Jaffray lowers its Micron target from \$40 to \$36, believing that the (memory price) recovery will take several more quarters. The firm stays on the sidelines with a Neutral rating.*

One firm tells its clients, essentially, "Oops, the memory cycle is turning up quicker than we thought, go ahead and buy." The other firm says, essentially, "Nope. Yesterday's good results don't mean much. Investors will have to wait a few more quarters for any action."

Let's glance at the chart above. In the last cycle, Micron rose 520% from bottom to top. In the cycle before that, Micron rose 567%. Here is the question: "If those kinds of gains are possible when Micron is down there with the rubble at the cliff bottom, why on earth would any sophisticated Wall Street firm tell its clients to try to be clever?"

Needham, writing at 7:45 am before the market opened, said, "We've changed our mind, get on in there and buy." Notice that gap with empty space in the top chart? The empty space means nobody receiving Micron's 7:45 am advice had the slightest ability to do anything about it. (Needham understood that, of course, and its pre-market bulletin was about saving a little face, not making money for its clients.)

Even though Piper Jaffray's advice looks like the exact opposite of Needham's—it isn't. It's entirely the same way of thinking. "Don't buy yet! You probably won't make any money for a little while! Wait a bit . . . (but keep your wallet handy.)"

As silly as all this looks and sounds in the context of an exceptionally strong company, with an exceptionally cheap stock, sharing leadership of an absolutely crucial and growing long-term industry . . . it makes business sense for Needham and Piper Jaffray. They're both serving the galactic crowd of speculators (who go by many more-dignified labels) whose daily and minute-by-minute behavior rules the market in the short run. For such people, those 520% and 567% longer-term gains just aren't powerful enough to change their total focus on the value of their money today. They are, however, powerful enough for Outlook and clients. We have the knowledge and judgment to see fairly obvious things about good operating businesses . . . and we have the nerve and patience to wait a while, and endure the roller coaster.

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